GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:127
ANSWERED ON:09.12.2004
DISMANTLING OF APM PROCESS
Singh Shri Uday

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Union Government has reversed the dismantling process of APM and has assured that prices of diesel, LPG and Kerosene would now be decided by the Government instead of oil marketing companies;

(b) if so, whether the powers of OMCs to fix prices of petroleum products have been withdrawn;

(c) if so, to what extent the monopoly of the OMCs has been broken;

(d) whether the Government propose to fix/revise the prices of petroleum products in consultation with political parties; and

(e) if so, the further reaction of the Government in this regard?

Answer

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF THE LOK SABHA STARRED QUESTION NO. 127 BY SHRI UDAY SINGH TO BE ANSWERED ON 9TH DECEMBER, 2004 REGARDING DISMANTLING OF APM PROCESS.

Since the announcement of the dismantling of the Administered Pricing Mechanism (APM) in the petroleum sector effective 1.4.2002, moves have been made towards decontrolling the pricing of all petroleum products. Post APM, the Oil Marketing Companies (OMCs) have been determining the selling prices of petroleum products, except petrol, diesel, PDS kerosene and domestic LPG for which prior consultations with the Government of India have been held. In the case of PDS kerosene and domestic LPG, Government provides a flat rate of subsidy and, in addition, the oil PSUs have been partly sharing the burden of subsidizing these products.

The prices in the international market have sharply risen in the recent months. Considering India's high dependence on oil imports, the increase in international price does impact severely on the domestic consumer prices of petroleum products. With a view to modulating the impact of high international prices on the domestic consumer prices of petrol and diesel, a price band mechanism was put in operation as per which the Oil Marketing Companies (OMCs) can effect price revisions based on the previous fortnight's average international price, provided that the exchange rate adjusted C&F (cost & freight) product price was within the band of Â±10% around the mean of (a) last three months' rolling average prices; and (b) last one year's rolling average prices. In case the C&F prices breach the ceiling due to high volatility, OMCs would keep the prices in the band and approach the Government. The ceiling was breached in August 2004 and since then Government have been keeping prices under close review.

In addition, steps have been taken to contain the impact of such increases in the domestic consumer prices of four products, viz., PDS kerosene, domestic LPG, diesel and petrol. The Government reduced excise duties on petrol, diesel and domestic LPG by 4%, 3% and 8%, respectively effective 16-6-2004. Later, effective 19-8-2004, the excise duties on petrol, diesel and PDS kerosene were reduced by 3%, 3% and 4% respectively. Also, effective 19-8-2004, customs duties on petrol, diesel, PDS kerosene and domestic LPG were reduced by 5% each.

Government are constantly monitoring and keeping under careful review the prices of all sensitive petroleum products.